JOB

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The Issue of People's Shares in Western Germany

The discussion on the issue of "people's shares" which has been going on in Germany for some time has, though the idea itself has been imported from Austria, several different roots: there is at first the effort to increase private savings in excess of the increasing volume of savings accounts, which is intended partly as a stabilising measure, partly as a possible means to revive the stagnant German capital market; another root is the socio-economic aim of the "Social Market Economy" to further private property formation in the hands of the broad masses of the working class; the third is the search for an alternative to industrial partnership schemes; and finally, as has been the case in Austria, the idea of the people's share has been connected with the privatisation of State-owned concerns. In the following contributions economists and politicians discuss the pro and con of those plans which will play an important part in the future development of economic policy.

Saving through Accounts or Investment?

From the end of 1948 to the end of March 1957, the volume of savings deposits in this country rose from about DM 1,500 million to almost 25,000 million. Some 80 per cent of this figure are held by savings banks and credit cooperatives, a considerable portion being made up of medium and small deposits. This extraordinary increase in savings since the currency reform would have been impossible were it not for the savings activity of the broad group of wage and salary earners who account for a high percentage of all savings. So there can be no doubt that there exists a propensity as well as ability to save, but its intensity is largely determined by those political factors that have a lasting effect on consumer prices. The shortage and price increases which resulted from the Korean conflict and the Suez crisis, were promptly followed by a distinct decline in new savings. It is apparent, therefore, that the recipients of personal incomes can save, and moreover that they want to save at least so long as there is no sufficient evidence that the value of money is going to depreciate badly. The obvious conclusion then is: if savings activity is to be maintained and promoted, the first and foremost thing to do must be to make sure that there will be no decline — or at least no severe decline — in the purchasing power of money.

It seems that a relatively minor decline will be generally accepted, and in the past it has not obviously had any negative effects on the volume of savings —, as is evidenced by the almost persistent slight decline in the value of money which has occurred in recent years, which has averaged between 2 and 3 per cent.

Investment Saving Gaining Ground

The period which has elapsed is not yet long enough to be certain whether we are concerned here with temporary phenomena or with a lasting depreciation of the currency. Yet, the numbers of those seem to increase who are rather sceptical about the future trend. In proportion with this increase, growing importance will attach — consciously or not — to the problem of investing savings in real value. If this trend continues (and many factors indicate that it will) the method of saving in ordinary savings accounts without tax concessions or premiums will find it increasingly hard to hold its own against direct or indirect investment in real value. At a time when the value of money is declining slightly but persistently, the interest of the savers will automatically shift to securities representing real assets, or to real values which in spite of depreciation will maintain their prices if they do not even register price increases. The purchasing power of a sum of money saved since 1950 has declined until this day by approximately 15 per cent. Mathematically this decline was of course more than compensated by the interest received. But interest — being the price for making available a certain capital, and perhaps being also a premium for the running of risk — has distinctly other functions than that of compensating a decline in the value of money. In other words, if the rate of interest were to perform a further function beside the one it is performing now, i. e. if it were to compensate a decline in the value of money, it would have to be higher than it is anyway. No doubt these problems will acquire further significance, and savers will become more generally aware of them, once all the tax concessions at present connected with saving on saving accounts will be abolished without being superseded by other promotional measures, such as the premiums which have been proposed.

The big advantage connected with the purchase of real value, as compared to saving on savings accounts, can be clearly illustrated by the following example. A man who has built a house in 1950 has invested his money in real assets, and in spite of the use he has made of his property he has considerably increased its nominal value on account of the price increases, but in addition to all that he has benefited considerably by the depreciation rates.

These attractive characteristics of real assets are not of course a recent discovery, but it is largely due to them that an ever rising number of patterns of saving are coming to the fore now which are somehow connected with real assets. These include above all building society contracts, investment saving, the "people's share," and the "Hansa Real Assets Investment Company" recently established in Hamburg. While investment saving and people's shares are limited to participations in joint-stock companies, this new company has created a much wider field of activity for itself by also including investment in limited partnerships, real estate, claims and other deeds which all serve as a basis for the investment certificates is-

sued by it. The holders of these certificates will participate not only in the company's normal yield but also in the depreciation. Since the company acts merely as a trustee, investment will be direct. The returns will be treated as taxable income derived from a commercial enterprise or from letting and leasing, hence will not be income from capital as is the case with direct or indirect investments in securities.

New Patterns Still Negligible

The patterns of saving in real assets are still but of minor importance as compared to the conventional saving on savings accounts. For instance, the stock held at present by the west German investment companies is valued at only about DM 160 million. Yet, if one considers that these new patterns are still of very recent origin the present result is quite remarkable. In course of time they will continually acquire further significance, but it is still too early to know whether they will actually come to be a serious competitor to saving on savings accounts and through insurance contracts. Obviously this will be determined by a variety of factors.

If the credit institutions succeed in providing the savings deposits with an equivalent for the depreciation of the currency — of course in addition to normal interest — then there are indeed good prospects that saving on accounts will continue to predominate. But independent of this problem, there is the further important aspect to what extent savings accounts are accumulated for specific predetermined purposes. Statistical data are not available in this field, yet it is obvious that savings made only for specific purposes will hardly be accumulated through other channels — even if these were more attractive in other respects.

After what we have said, people's shares are only likely to be accepted by the market in sizable quantities if, due to their nature of real assets, they can offer a considerable advantage over saving on savings accounts. Furthermore, it seems indispensable that psychological steps should also be taken to prepare the ground for people's shares. An opinion survey on a representative sample basis has revealed that some 95 per cent of the population did not know what a share actually is. The interest of a wider public will remain relatively limited so long as this situation will not have been changed fundamentally. Presumably it does not matter much whether or not the people's shares will be launched in combination with the transfer of public companies to private ownership. And incidentally, this is to some extent a political problem. Furthermore, the Austrian type of people's share is rather not an ideal example for purpose of comparison. It is rather in the nature of a bond, as three quarters of the shares sold to the public are not equipped with voting rights. They are non-voting preference shares with a fixed dividend of 6 per cent. The net yield, after deducting the capital tax, is only 4.3 per cent, however.

And then, it would seem decisive whether the legal and tax provisions and the institutional set-up can be put in such clear and simple terms that they will be intelligible to a wider public. A particularly important point will be to do away with double taxation on share capital. And care will have to be taken that no fundamental differences will exist between people's shares and ordinary shares, as otherwise there would occur a splitting — and hence weakening of the stock market.

People's Shares also a Risk-bearing Investment

The quota of savings is still inadequate in view of the high investment and accumulation requirements, and this is not likely to improve in foreseeable time. So it is small wonder that the search continues for ever new patterns and methods either to direct the available flow of capital into specific channels or to open up additional capital sources. The guiding principle should be that any type of investment deserves continued promotion so far as it is able to raise additional savings capital. On the other hand, if a new pattern of saving can only result in fluctuation, in temporary investments, or in unjustified discrimination against conventional patterns without attracting new capital, it would bring no benefits for the national economy seen as a whole.

To date, the long-term trend on western Germany's stock markets has developed without any too severe repercussions. The project of the people's share will no doubt benefit by this circumstance. But many interested observers focus their attention exclusively on the post-war events and are apparently convinced that nothing will change even in future. We may be permitted to emphasize that savers in people's shares would participate not only in the prospects but also in the risks of the overall economy. If, as has happened at times, prolonged slums should occur on a broad scale, then the people's shares would also of course be adversely affected. We should never fail to account for this latent risk. And investors should only buy people's shares if the respective funds are in fact to be invested for a considerable period of time, so that they can afford to wait for improvements after extraordinarily sharp breaks. In the opposite case, people's shares might increasingly be used as speculative securities. (High-

A Comparison with Other Patterns of Saving

Of late, the "people's share" has been promoted to a much quoted slogan in this country. It is regarded by some as a panacea by which every citizen's ambitions can be focused on the concept of private property, at the same time effectively expanding the potential of the country's stock market. On the other hand, those who are opposed to private ownership for the means of production are again remembering the traditional arguments speaking against the creation of shares for everybody.

Characteristics of a People's Share

For the sake of definition, a people's share may be described as a security by which a conventional and legal pattern of industrial financing and secured capital investment is to be better adapted to the social and commercial requirements of our time. People's shares are to be issued as marketable property deeds in the sense of bearer shares — if necessary even registered shares — and are to be available for purchase and resale by any individual.

Denominations, issue, price and profit prospects would have to be such, however, that they would be attractive for "the little man" and the middle-class investor.

The success of people's shares will largely depend on the reputation of the company by which they are issued. The company's name will have to mean something even to the inexperienced saver, that is to say: even the name as such will have to be good advertising. By contrast, it will not be decisive whether the issuing company will be wholly or partly under public or private ownership at the time the people's shares appear on the market. When these main features are compared to the practices obtaining on the German stock market, it cannot be denied that leading private companies and syndicates would be well suited to launch such a type of people's stock. In fact, numerous examples are available of companies the stock of which is held by members of the most varied occupations, as e.g. Mannesmann and Hoesch in the iron and steel industry. In the United States there are today about 10 million direct shareholders, among them some 9 million little ones (so that one out of twelve Americans is a shareholder), and in the United Kingdom 2 million out of 19 million wage earners are owners of securities; and when we look at these figures, we will of course have to admit that Germany has only just entered an initial stage of this development. But it is in our own hands successfully to promote this trend by imaginative measures.

Comparison with Investment Saving

A high standard will not only have to be applied to the financial backing, profitability, good-will, and public relations work of a company which wants to place people's shares. This will not get us around the hard fact, however, that any purchase of stock presupposes the willingness to run a risk, the decision directly to participate in a specific company and thus to accept certain personal ties (perhaps for a limited period of time), and a personal interest in the future of the company in question. Where investment saving is concerned, on the other hand, an expert management will relieve the investor of the decision as to which stock he should select and how he should exercise his proprietary rights including his voting right. On account of the careful mixture of the trust company's stock by areas and branches of industry, an investment certificate will be largely protected against the risks connected with the stock it represents. While investment trust companies pay a relatively stable dividend, though reduced by their own administrative expenses, and while the price of the investment certificate does not depend on the special fluctuations registered by the stock of which it is made up, ordinary shares — and people's shares with them — are characterized by yields and risks which are determined by the returns and prices obtaining in a single company or branch of industry. And as a people's share calls for an investor who will accept these rules, it would of course be wrong to reserve such stock, let us say, exclusively for [illegible] workers or the low income brackets.

Comparison with Premium Saving

Where premium saving is concerned (as defined in the Housing Construction Premium Bill of December 21st, 1950) resemblance with people's shares is confined to the circumstance that both types of saving aim at direct participation in real assets. As a people's share can be bought by a single act of purchase, it is not burdened by recurring contributions over a period of at least five years, nor is it characterized by a refund of the bonus granted such as it has to be effected by a premium saver if he cancels his saving contract prematurely. A premium saver who keeps his contract can count on a government premium which amounts to between 25 and 35 per cent of the [illegible] paid in under the contract, the maximum being DM 400 annually, however. By contrast, a shareholder has the chance (though not the certainty) that if he sells his stock he may realize a profit which puts his yield at least level with premium and building society contracts. An investor in people's shares does not have to accept a fixing of his engagement in point of time nor a fixing of his place of residence, as would normally be the case if he saves for a home of his own.

Comparison with Profit Sharing

We feel certain, however, that the launching of people's shares would be far more desirable than any proposal to [illegible] by legal enactment that companies employing more that 100 persons should allow their workers a share in the profit and capital of the firm, no matter what way be the company's organizational set-up. A law of this type, which was in fact proposed recently by the German Clerical Workers' Union, is to be rejected not only because it would end up in expropriation and collectivization: it would moreover suggest to the workers a conception which would be harmful to the progress of the national economy, namely that an individual can accumulate personal property without having to forego a corresponding part of his consumption, and that the capital accumulated by companies was made up of funds which by rights ought to be added to the workers' wages. In this fashion we can hope neither to secure a high measure of popularity for investment in securities nor to solve the problems of investment with which we are confronted today and shall be confronted in future.

The Features of a People's Share

[illegible] we may ignore in this context the much-discussed project of transferring public industrial companies to private ownership, the launching of people's shares would not require any action on the part of the legislative. A variety of possibilities to create this type of stock are offered by the provisions of company law at present in force. Thus, there is the ruling that the minimum denomination laid down for a share certificate is one hundred Deutsche Mark, and that higher denominations shall be in full hundreds of Deutsche Mark. In the interest of finding a ready market for the people's shares, it would seem inevitable anyway to choose denominations of, say, DM 100, 200, 500, and 1,000. Incidentally, issuing companies could provide such stock with incentives for the little investor similar to those offered by some big industrial undertakings who are each year selling stock to their own workers and who have apparently obtained good results with this practice. (The author is familiar with the respective terms of issue, and he feels certain that the existing kinds of this stock can even now be regarded as ideal people's shares, although they are available only to a limited group.) Potential savers from all occupations are here appealed to e. g. by

the possibility of acquiring a drawing right below the stock-exchange quotation, either at par or just above it. It was the prospect of such an increase in value which contributed much also to the success of the Austrian experiment.

A well-know industrial company has offered its workers to buy its stock at special prices, everybody being entitled to buy for as much as 25 per cent of his annual bonuses and special grants, and the company even paying all secondary expenses, such as stock-exchange turnover tax, bank's commissions, etc. The price of the stock purchased is deducted by the company pay office either from the annual bonus or, in three monthly instalments, from the buyer's wage. Administration of the stock is in the hands of a special trust company which remits the dividends to the company pay office, and which also accepts selling orders after an initial period during which the stock must not be sold. The experiences gained by this company have shown that, due to the favourable terms of purchase, many workers regard this as an attractive new method of acquiring property, even if they cannot dispose of the stock during the first fifteen months — during which time an inexperienced investor can become familiar with the benefits of investment in stock.

The Contribution of the State

If even private companies have feared neither cost nor risk to promote this important experiment in the interest of social policy and a prospering stock market, it would seem all the more imperative that the State will also contribute to this development so as to make the German stock market a popular instrument of saving and property formation. In particular, the State could stabilize dividends in poor years by reducing double taxation on share capital, thus helping to consolidate the level of stock prices. Investment savers and the rest of the stock market would benefit by this measure too. The capital tax, which with its rate of 25 per cent is not applicable to the majority of tax-payers and thus entails time-consuming refund procedures, ought to be cut to 15 per cent. The abolition of minor taxes, such as the stamp duty, would also facilitate the introduction of people's shares.

In view of the successful outcome of the experiment in Austria, there is every prospect that the project of people's shares would inaugurate a welcome trend in Germany as well, if it is combined with a scheme to restore public companies to private ownership. If a start were made with an undertaking such as the Volkswagen Works, good results would no doubt be forthcoming and experiences gained for the next steps to be taken. The giant project of transferring all industrial companies now owned by the State to a special investment trust company, would rather require further scrutiny as to its practical consequences. Due regard should be had here for the absorption capacity of the capital market of the Federal Republic.

The Problem of Voting Rights

If in Germany public companies are in fact to be restored to private ownership, it does not seem expedient to copy the Austrian example of issuing non-voting preference shares with a fixed dividend. Although such stock would be permissible under German company law, it would not seem good practice to characterize a people's share from the outset as a security without voting rights, and thus to give rise to doubts into the sincerity of the project generally. It is the intention of the legislative that the voting right shall be an indispensable component of all stock, and it has been laid down that it cannot normally be given up by the shareholder. A preference share without voting rights is rather something like a transitory stage between a stock investment and a bond.

No doubt, a wide distribution of stock capital into many small parcels will present new problems of voting rights. The banks' right to vote on behalf of all stock deposited with them will not suffice to solve these problems, and it will be necessary to look for new ways here — but these should be sought outside the political or ideological sphere, i. e. they should bear no resemblance to the proposal that voting rights may be exercised by representatives of the trade unions.

One Minor Advantage – Big Disadvantages

In almost all quarters today, it is considered a more or less urgent goal to promote the accumulation of property by persons employed in dependent positions. The intentions underlying this demand are fairly varied. The idea with some is to lend new weight to the concept of private property and to curb the trend to the general-welfare state; others want to check the concentration of power in the modern economic society and at the same time to correct the distribution of the national product; yet others are out to promote saving and capital accumulation, and to strengthen the foundations of the market economy by engaging the workers in it as investors.

It is not very likely that the goal could be served adequately by an activation of the social housing scheme. This would seem impracticable in view of the relatively small amounts that would be involved here, and even more so in view of the fact that some kind or other of investment in a commercial enterprise is simply the basic and determinant pattern of property in a modern economic system. So the attention of our experts on social and economic policy has been focused for quite some time on the problem how investment saving can be made attractive to the broad masses of the working population. One will do well in this context to distinguish between two different questions: that about the origin of the savings that shall be accumulated, and the other about the most attractive patterns of saving.

The Origin of Savings

Where the structural effect of property accumulation by the workers is concerned, the first question is decisive. In view of the conventional conception of workers' income ("consumption wage") and hence of the average wage level, it cannot reasonably be expected that the workers could — even if they wanted to — resort to investment saving in a degree which would entail a really fundamental correction of the present and future distribution of wealth. From the viewpoint of economic policy, moreover, it would not even be entirely with-

out its dangers if the wage earners started a sizable savings activity all along the line. Under certain circumstances this could adversely affect business expectations and might produce a depressive tendency.

So it has been proposed by various quarters to step up the worker's income by what is called an "investive" wage component by which the wage earner is to participate in the net investment at any one time, thus actually affording him a worth-while source of property accumulation. From the point of view of the national economy, however, such an experiment could only be advocated if there are guarantees that, on an average, the additional income will in fact be permanently saved, and will somehow contribute to the nation's capital accumulation. This is where the question of attractive patterns of saving arises, patterns which should be cut specifically to suit the position of the workers.

One thing to do is, of course to follow a moderate course and to reflect, without any undue ambitions of social policy, on such patterns of investment saving which today are not attractive to potential investors among the wage earners. This is the idea underlying the newly created concept of "people's shares." What is new about it is actually only the proposed small denominations which are to meet the requirements of a worker's budget. It is not known whether such stock is to be further sponsored by specific tax privileges. On the other hand, it is not to be provided with voting rights.

If we for once ignore this latter deficiency: Some time ago, a number of companies offered their workers shares of small denominations which even had the advantage of a reduced issue price, and yet the experiment has not found wide acceptance. Can the people's share fare better?

Worst Type of Saving?

The people's share for the worker is no doubt the most problematical among all the various patterns of saving, such as premium saving, insurance and building society contracts, investment saving, or the acquisition of co-operative stock. The only advantage which it may possibly have to its credit, namely that of affording a higher yield (a minor affair anyway for small denominations under double taxation), is made up by big disadvantages. The individual working-man investor is expected to purchase securities direct, although as a rule he has no experiences whatever on the stock-market. With his small income, he will be hit unproportionately hard in the event of losses; yet, the people's share will expose him to the same risks as big investors. A further point to be considered is that the working-man investor may eventually be compelled quickly to dispose of his stock to meet urgent personal requirements; the proceeds from his people's share would then be determined by the exchange quotations applying at the given time for the stock of a single company, in contrast e.g. to an investment certificate.

This threefold handicap facing the small investor is tried to be compensated somehow or other by the other patterns of saving which we have mentioned. If the people's share is to be made more attractive too, this seems possible only by creating some greater resemblance to the terms of investment saving.

Effect on the Capital Market

Nor are investments in people's shares fully desirable from the viewpoint of the national economy. The nervous small investors will necessarily do more harm to the functions of the stock-exchange than they can contribute to the process of capital accumulation. Their voting rights will be absorbed in the bank deposits or will add to the independence of managements. If the shares change their owners there is no way to exclude the possibility that the stock will again be combined in big parcels. The proposal to deprive such stock of any voting rights seems to have been prompted by the idea to try to counter such tendencies; but the saver in people's shares would thereby be reduced to the rank of a second-class investor. What would at all seem to be a reasonable procedure would be to issue the stock as bearer shares to check the fluctuation of ownership. On the whole, the prospects of a higher liquidity of the capital market should not be unduly emphasized if these risks cannot be avoided. There simply is no getting around the fact (however unpleasant it may be) that, in a modern market-economy, investment saving by the wage earners cannot function without some kind or other of solidary support for the sake of security, profitability, and the principle of a fair distribution of power. There are other spheres where this structural element has also had to be accepted.

Finally, the concept of the people's share is sponsored by the consideration of economic policy that some purchasing power should be distracted from the demand operating on consumer goods markets. This effect would be welcome to the extent that the upswing is pushed up unduly from this side. But we should not lose sight of the demand for capital goods, which may possibly experience a more than proportional increase, furthermore, of the persistent foreign trade surplus which acts as a one-sided stimulus on the volume of money in circulation, and finally of the speculative influence exercised on the domestic price level by world market prices.

In short, no one will be stopped if he wants to buy people's shares, and if he does want to, this investment will be open to him, but it seems hard to propagate such stock with a clear conscience, or even to praise it as the ideal pattern of investment saving for the working population.

Private Ownership for State Property?

All these problems would stand even if the people's share were launched by private quarters. In the present projects, however, it has been coupled with the intention of bringing public companies under private ownership (it would be incorrect in most cases to speak of a restoration to private ownership). Opinion may be divided as to wether this is a positive or negative aspect psychologically. Materially, the following further problems arise here: To what extent would private ownership be practicable and desirable at all? Can it be in the interest of the tax-payer that, possibly, only the best bits are picked out by the private investors? And how about the consumer's interests in the field of price policy if there can be no guarantee that, after a transitional period, the people's shares of attractive companies will find their way to those oligopolists who so far had suffered a certain price pressure from this side? And finally, what is to happen with the proceeds accruing from the sale of the public property? These are only some of the difficult questions awaiting an answer.

viewpoints, one may well consider it expedient that some of the companies now owned by the State are transferred to private ownership. And surely it would be pos- by which this transfer can be given a social effect as well. Only the "people's share" seems to us the most unsuitable pattern in every respect. (BM)

Splitting of Voting Power

The ultimate goal of all these experiments [illegible] capital market, [illegible] no longer quite so simple to practise autonomous financing by [illegible] the consumers. But this cannot be effected by merely filling old wine in new bottles, and in practice there is just nothing new about the non-voting preference shares e. g. of the type issued in Austria under the name of "people's shares". On the contrary, They even expedite the trend of reducing a shareholder to a creditor without a creditor's rights.

While the National Socialists' legislation had provided the legal basis for depriving the shareholder of his powers, the trend to non-voting shares merely represents the factual and final recognition of this situation.

The plans to launch a "people's share" are aimed at a propagation of the concept of property, which necessarily also involves a sharing of responsibility, a sharing of risk. So it is intended to make the participation in capital market transactions a less risky affair. Any such attempt is based on the assumption that a risk is something unpleasant as a matter of principle.

Risk, an Incentive for the Shareholder!

In actual fact, not the least important factor determining the upswing of the stock market in former years has been the positive attraction of risk, the fascination of games. It is this attraction which has lost much of its power meanwhile, and this is evidenced at least by the stakes customary in modern patterns of gambling: One would risk a few pence in the football pools, but one gets more cautious even when it comes to risking shillings in a lottery... The fascination of games has declined, at least with those who could afford higher stakes. It is believed now that the little saver could fill these gaps?

Investing one's capital today means practically to be running four different kinds of risk. The first risk is that one's capital might be lost entirely. The second risk is the fact that one will have to expect greater or lesser fluctuations in one's income. The third risk concerns the aspect of liquidity: One will not be able to dispose of ready money each month, at least not to the full amount of one's capital resources. And finally, one will be running the risk of having to spend good money to save dubious assets. The latter problem was solved precisely by the discovery of the share and the limitation of liability. The first risk, the complete loss of one's capital, may perhaps have ceased to be so acute in our days, characterized as they are by security factors in the shape of a wide range of government interventions.

The Risk of Income Fluctuations

It is in the nature of dividends that share capital entails the possibility of a fluctuating income. This is a circumstance which cannot be overcome even by preference shares with their priority dividends and their resemblance to bonds which is created thereby.

Incidentally, we should not overrate the differences which exist in this respect between a preference share and a bond: It is certainly not correct to say that a bond is an absolutely safe investment, and this applies quite particularly to the problem of income fluctuations: a fixed rate of interest will in each case shift the risk of loss, as it results from fluctuations in the purchasing power of the currency, to the holder of the bond. It is this circumstance which also affects a preference share with a more or less fixed dividend. Enquiries conducted for the 19th century have revealed that in the United States, between the years from 1866 and 1922, even the safest bond returned a [illegible]ably lower yield than a share, provided that due attention is paid to the fluctuations in the purchasing power of the dollar. Similar investigations conducted with respect to Germany have produced the same result: On an average, shares returned by no means lower yields than bonds, and, if attention is paid to the fluctuations in the purchasing power of the Reichsmark the fact is that fixed-interest-bearing bonds returned more instable yields than did shares.

In a certain sense, all this may speak in favour of shares and against bonds — but at the same time it would make it inadvisable to provide shares with some of the characteristics of a bond, as is in fact the case with a preference share. It is to be doubted that a sharing in the process of property formation ought to be offered in the shape of a method which, where the yield is concerned, would certainly produce unfavourable results in the long run — any seemingly stable returns notwithstanding.

The Risk of Lacking Liquidity

The decisive factor, however, would seem to be the third risk: that any investment of one's capital will deprive one of the benefits of liquid funds. The smaller the capital invested, the more one will be affected by any partial limitation of liquidity which is the inevitable consequence of fluctuations in stock-exchange quotations. He who has to have liquid funds, or who knows that in foreseeable time he will have to convert his savings into ready money, would of course do well to stick to saving in savings accounts.

If people's shares are in fact to be launched, they will necessarily have to be equipped with certain privileges. The way obviously suggesting itself here is to afford them a priority in the distribution of the profit, as with the American type, combined with a limited dividend. The latter principle logically follows from the general rule that profits belong to the preference shares and surplus profits to the common stock. However, in times of prosperity this might easily create the impression that the term "preference share" is at bottom a misleading concept: if for years in succession, a company pays 12 per cent on its common stock and the maximum dividend

of 7 per cent [illegible] shares, the little shareholder will come to think that he has been cheated.

of a people's share was not proposed until stock prices began to slump slightly after their phenomenal upward movement. Are the small investors to make up for the lacking courage of the big ones? And if it is tried simultaneously to invent a method of "restoration to private ownership" one might further ask: Can there be any sense in replacing public funds for investment in public companies by [illegible]

be more [illegible] function as [illegible] would thus private inv[illegible] withheld from its did in the [illegible] as a basis for the various [illegible] which in fact it and all [illegible] of deposits with [illegible] of savings banks have been [illegible] a time when the possibly [illegible] seems to contraction [illegible] anyway? And the funds [illegible] a time when a authorities [illegible] emanate from [illegible] by the public [illegible] (Kuel[illegible]

The Splitting of Share Capital

Moreover, at a time when the predominance of management and board of directors over the shareholders is maintained, a splitting up of the share capital will in practice intensify the trend of doing away with democratic procedures in a joint-stock company. In a situation as this, it may easily happen that small shares have no other effect than to spread as much of the risk to as many people as possible, at the same time withholding from these people as many benefits as possible.

In recent times, much tribute has been paid to the fact that, in the United States for example, the concept of "property for the people" has materialized via the stock market. And when the trade unions never fail to emphasize — quite rightly, it seems — that in this era of the "economic miracle" the process of property formation has by-passed the working population, the statement is countered by calling attention to the ideal of the little shareholder after the American pattern.

The fact is that the numbers of shareholders rose immensely during the years around the turn of the century and during the great depression. This revolt of the masses on the stock market lured some sharp-witted socialists into the dream that the problem of the class struggle [illegible] solved [illegible] by itself. [illegible] that the multiplication of the numbers of shareholders [illegible] paralleled by a multiplication of their lack of power, and that the creation of shares for the masses by no means involved an indefinite increase of the number of capitalists but merely meant a degradation from a proprietor to the supplier of a permanent credit, who furnished the management with the foundation on which to build up its own power.

The ultimate stage, when one-dollar shares can be bought at the door from peddlars, would be the final subversion of a whole nation to the idol of speculation. Between 1922 and 1929, the index of stock prices climbed to 500 per cent. The final result was the hangover of the great depression.

Rapprochement without Re[illegible]ification?

Diplomatic activities of the two big world po[illegible] present by energetic efforts to accomplish an [illegible] tensions, and it would seem as if we ought to [illegible] satisfaction, as we ourselves belong among the [illegible] and as our appeals to the big powers to discon[illegible] periments are to serve the same purpose. Yet, this [illegible] is not very pronounced in this country, for two [illegible] we have experienced more than once that any [illegible] to settle the practical details will never produce [illegible] will end up in nothing but a demonstration of [illegible] it is the exclusion of the practical political details [illegible] problems precisely for this country. The suggestion [illegible] ing of political tension is only to create the [illegible] ndings, for too obviously to the nature of embar[illegible] that it could really convince us.

[illegible] are determined at [illegible] of international [illegible] late this fact with [illegible] of such efforts [illegible] their nuclear ex[illegible] of satisfaction [illegible] For one thing, [illegible] scheme which fails [illegible] desired effect and [illegible] Secondly, [illegible] presents all the [illegible] this global ea[illegible] here for practical [illegible] consolation than

Diplomats at the highest level have always [illegible] from drawing big circles on the map with a pair of [illegible] shows, however, that these circles have invariably [illegible] of unrest, as one never went to the length of stud[illegible] lines as to their real course. Just let us try to [illegible] details of surface and aerial inspection in a circle [illegible] of France as well as the Soviet Union, quite apa[illegible] number of other "critical areas" would also be cove[illegible] to carry out such inspection is likely to add a [illegible] tension to the present ones. Moreover, what could [illegible] a demilitarized or diluted zone which is only [illegible] wide, when we live in the age of intercontinental [illegible] of "neutrality" had not been exposed to strong [illegible] in recent years, it might perhaps have occurred [illegible] equally to extend their circles to include the Near [illegible] even Southeast Asia and the Far East, thus demarca[illegible] countries which could also form a sphere of [illegible] camp undertook to abstain from interventions. We [illegible] that a bold approach to settle conditions in indivi[illegible] could do more to ease international tension than ca[illegible]

[illegible] much pleasure [illegible] asses. Experience [illegible] faced new centres [illegible] these theoretical [illegible] the practical [illegible] prising large areas [illegible] in the fact that a [illegible] A serious attempt [illegible] further factors of [illegible] the security effect [illegible] 2,000 kilometres [illegible] if the concept [illegible] discrimination [illegible] statesmen gen[illegible] Middle East, and [illegible] a bloc of "neutral [illegible] tension if either [illegible] certain, however, [illegible] centres of unrest [illegible] global schemes.

Where Germany is concerned, the exclusion of [illegible] practical details will mean that the re-unification issue will be postp[illegible] indefinitely. The ~~big powers are thus withdrawing from the respon~~[illegible] ~~[illegible] they had im-~~ posed on themselves at the end of the war. Insofar [illegible] to oppose the plans of our allies: If the centre line [illegible] must be permitted the extension of the diluted zone is to cut right [illegible] is to determine is the obvious danger that neither of the two big po[illegible] Germany, there a later shifting of this line which in actual fact [illegible] will ever accept "Iron Curtain." We should not like to be misund[illegible] identical with the tainly welcome any effort to ease international te[illegible] here: We cer- ress made in this respect is no doubt desirable. An[illegible] and any prog- cooperate in these global schemes if the big powers [illegible] we would gladly they will be followed by a removal of the concrete [illegible] guarantee that unrest, i. e. that this would not be left to an imagin[illegible] centres of political tween those directly concerned. And it seems that, [illegible] arrangement be- inferior position in the concert of world politics, s[illegible] spite of Germany's a guarantee. [illegible] still deserves such